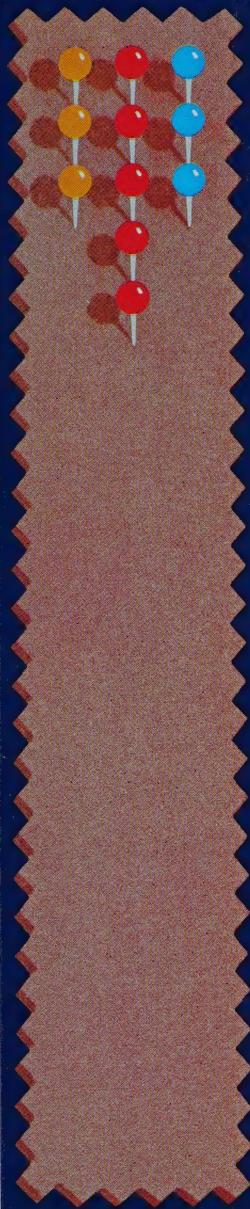


AR51

DYLEX ANNUAL REPORT 1979



British Columbia



Prairies



Ontario



Quebec



Maritimes

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Annual Meeting

The Annual Shareholders Meeting will be held at 11:30 a.m. Thursday, June 5, 1980 in the Alberta Room, Royal York Hotel, 100 Front Street West, Toronto, Canada.

HIGHLIGHTS

Years ended January following	1979	1978
<i>Operating summary</i>		
Net sales ('000)	\$371,592	\$329,512
Net earnings before extraordinary item ('000)	\$ 9,045	\$ 12,272
<i>Per share</i> before extraordinary item		
Earnings—1st quarter	\$ 0.09	\$ 0.23
—2nd quarter	0.02	0.15
—3rd quarter	0.79	0.80
—4th quarter	0.63	0.89
<i>Total</i>	\$ 1.53*	\$ 2.07*
Dividends	\$ 0.40	\$ 0.325
<i>Financial position</i>		
Working capital ('000)	\$ 45,840	\$ 42,073
Current ratio	1.87:1	1.82:1
Asset turnover	2.2	2.3
Return on sales	2.4%	3.7%
Return on equity	13.1%	20.4%
Shareholders' equity ('000)	\$ 72,299	\$ 65,297

*Results have been restated to reflect the capitalization of leased assets.



The pins on the cover have been colour coded to represent the women's, men's and family retail outlets that Dylex operates in the major regions of Canada. One pin has been included for each ten outlets.

Despite extremely difficult business conditions during the year ended February 2, 1980, your company increased consolidated sales 12.8 percent to \$371.6 million. However, profits declined to \$9.4 million or \$1.58 per share from \$2.07 the previous year. This included an extraordinary gain of five cents a share. Results for both years were adjusted to reflect the new accounting requirements for disclosure of lease agreements which are classified as capital leases. The net effect of the change on earnings was an increase of two cents and three cents per share in 1979 and 1978 respectively.

The Year in Review

The business environment for most of 1979 was extremely unsettled. Inflation continued to erode the value of the dollar and interest rates rose to unprecedented levels. Gloomy economic forecasts severely reduced consumer confidence as we entered the critical fall and winter selling seasons.

Therefore, in view of these conditions, the overall unsatisfactory results were to be expected. They were, none the less, disappointing when compared with the record profits reported the previous year. However, some bright spots were seen. The results from Bi-Way Stores Limited fully justified the decision made last year to acquire an interest in that company. Our manufacturing divisions had an excellent year and our overall sales momentum was maintained.

Two main factors contributed to the decline in profits—unsatisfactory performance by our women's wear divisions and unprecedented increases in the cost of borrowing. The problems experienced by our women's wear divisions reflect the difficulties generally faced by the junior wear segment of the trade. Opening year inventory levels were increased in anticipation of a continuation of the strong sales trend experienced during the latter part of 1978.

However, merchandisers failed to anticipate consumer response to the 10 to 15 percent higher prices for women's clothing and it became evident early in the 1979 spring season that women were not buying at expected levels. Consumer reaction was both dramatic and immediate and sales on a store for store level declined.

Our women's wear divisions took immediate steps to control buying and inventory levels for the fall season. Nervousness throughout the trade resulted in a continuous "on sale" situation that was most noticeable in the Christmas season, a prime profit period.

Efforts to remain competitive while attempting to eliminate excess inventories resulted in high markdowns and had an adverse effect on profits.

The impact on operating results brought about by general business conditions was accompanied by an alarming rise in interest rates which on average were three percent higher than during the previous year. Loan levels during much of the year were higher than normal as a result of excessive inventory. The effect was greatly increased interest costs.

A large portion of the company's long-term financing, including equipment leases, is financed under floating interest rates which were, accordingly, much higher.

The Years Ahead

With the start of a new year and a new decade it is time to look ahead. The basic problem facing consumer markets is the squeeze being put on real incomes by inflation. There now seems to be the risk of an even more volatile economy than we have experienced in recent years. In anticipation of uncertain times we are taking a number of steps to prepare the company for the future.

During the past few years we have aggressively sought out sites for new retail outlets. In view of the high interest rates that exist today and the prospects for a soft economy we have decided to restrict our expansion plans. The opening of new outlets in 1980 will probably be at the lowest level in recent years. However, a number of new shopping centres and downtown redevelopments are planned to open during 1981 and 1982. With an improvement in business conditions we will be interested, on a selective basis, in these locations and, indeed, fully expect to participate in many major new projects, particularly those in western Canada.

Over the next few years we will be looking at the development of smaller, more energy-efficient stores for our larger retail divisions. The change, reflecting a growing trend in retailing, is prompted by a need to control store construction and occupancy costs which have increased dramatically over recent years. We believe that by reducing store sizes and replanning store concepts we will be able to minimize our operating costs and concentrate on increasing sales on a "per-square-foot" basis. By redesigning our store lighting and heating and air-conditioning systems we will be able to produce more energy efficient outlets. Attention will also be given

to store layout and fixturing that will cut ongoing maintenance costs. Greater co-operation will be required from landlords in controlling common area and other costs which are charged to retailers but are not under their control. This is one area that can significantly affect overall occupancy costs, which are an important factor in determining consumer prices.

Our women's wear divisions are approaching 1980 with a great deal of caution. Inventories have been reduced on a store-for-store basis to provide greater flexibility in meeting customer needs. By providing better value we expect to overcome some of the consumer resistance to shopping that will arise as a result of the continuing squeeze on disposable income. Promotions should generate consumer traffic and increase volumes. The exercise of more stringent control over inventory levels will enable us to exert more internal influence on the timing and extent of markdowns.

Women's wear retailing in the 1980's is expected to undergo a number of changes. More emphasis will be placed on value, quality, practicality and comfort in the selection of clothing. More women are expected to work outside the home. They will require clothes that fit into the workplace. We believe that styles will have certain basic characteristics—simplicity and interchangeability. Women will be looking at clothes that are multi-functional and are longer lasting. These requirements will mean greater emphasis will be placed upon colours, fabrics and construction rather than design. Our women's wear merchandisers will be moving to meet the perceived needs of their customers.

Normally men's wear sales are the first to be affected during a period of economic constraint. This did not occur in 1979. We are concerned about our ability to improve sales and profits in 1980 and are taking steps to avoid the problems experienced by the women's wear divisions. Inventory levels which remain high will be monitored closely and brought to acceptable levels with a great deal of emphasis placed on promotion to attract greater sales volumes.

The current trend towards more casual office dress will probably continue into the 1980's. However, we do not foresee any significant decline in the number of suits sold over the next five years unless prices escalate sharply. Our men's wear divisions will continue their best efforts to provide merchandise and selection that will minimize the adverse effects of inflation on their customers.

Family Fair has increased sales volumes in recent years by emphasizing value and low prices. This marketing approach appears to be what is required in these days of tight family budgets, high interest rates and rising inflation. Using a parallel strategy, Bi-Way successfully satisfies the needs of Ontario families. Both operations are expected to flourish in today's economic climate.

Our other family wear division, Thrifty's, serves a price sensitive market. Leisure wear retailers are currently facing a maturing market segment. Thrifty's strong position in the marketplace should provide them with an advantage in attracting customers. Emphasis will be placed upon cost control during the years ahead in order to improve profit margins.

The retail divisions will continue to increase the use of sophisticated equipment and systems to ensure that the information necessary for management of the operations is quickly available. We have been in the forefront in the introduction of equipment such as point-of-sale terminals and systems designed to control inventory movement.

A number of changes will likely occur in the future in order to improve our responsiveness to the needs of the customer. Some of the elements being contemplated are increased regionalization of management, greater use of point-of-sale terminals for the transmitting of information and ultimately the introduction of on-line communications systems with the stores. We will need to combine the resources of a large firm and the market contact of a small retailer in order to maintain the responsiveness to the consumer so necessary for our success.

The manufacturing divisions have just completed an excellent year. The problems experienced by retailers will place limitations upon the ability of manufacturing to improve in 1980. At this time we believe they will be able to maintain the current volume of activity. Their products sold well in 1979 and thus should be sought after by retailers who are concerned about having the right product to attract consumers.

In the longer term we are still optimistic about our ability to provide competitive, quality products for retailers. We believe that we have the experience, expertise and resources to succeed in the 1980's.

Company Goals

Over the past four years we have been charting our progress on goals for the

company which we expected to achieve by 1982. We have done so in the belief that it was important to give our shareholders an indication of the direction that the company was taking and to provide benchmarks for evaluating management's effectiveness.

- We are continuing our efforts to provide good value. Promotional efforts during the year helped to minimize the impact of continuing inflation for our customers.
- Retail sales increased by nearly 12 percent enabling us to stay on target in our goal to reach \$500 million by 1982.
- Consumers are more price conscious as a result of the continuing pressure on incomes and so the retail divisions have had to become more promotion oriented in order to maintain volumes. Our present emphasis is on absolute dollar profits and return on equity rather than return on sales. The goal of a 10 percent return on retail sales may not be possible by 1982.
- The manufacturing divisions have continued to perform well and have achieved targeted goals.
- Despite the difficult business conditions of the past year the company has continued to maintain a strong financial position. At year-end our working capital ratio rose to 1.87:1 from 1.82:1.
- Human resources will be the key to our success in the 1980's and during the year a number of positive changes such as a dental plan were introduced in our benefit packages. We are continuing in our efforts to attract and retain top-notch employees.

Dylex Moves South

In January 1980 your company announced its intention to acquire a 70 percent interest in the operations of Tobias Kotzin Company, a Los Angeles based manufacturer of clothes for young men. The company's products include casual slacks, jackets and blazers. Most of the products are manufactured in company-owned plants in Los Angeles, California and New Roads, Louisiana. The garments are sold under the trade names "Tobias" and "Angels Flight" throughout most of the United States.

Under the terms of the agreement, the company will be amalgamated with a U.S. incorporated subsidiary of Dylex Limited to form a new company operating under the old Tobias Kotzin Company name. Dylex will own 70 percent of the new company with the balance being held by management. Although the company will be affected by the anticipated slowdown in retail

sales in the United States, management has proven in the past that it can adapt successfully to changing market conditions.

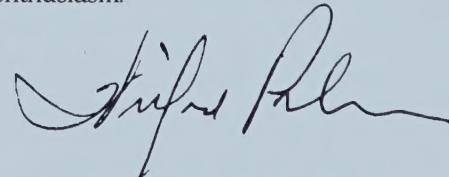
Over the past few years Dylex has expressed an interest in acquiring a presence in the United States. A number of factors prompted our decision to use a successful manufacturer as our method of moving into that market. Although opportunities in the U.S. are 10 times greater than Canada, there are potential pitfalls. The Tobias Kotzin agreement provides us with a commitment from a group of people who have shown the ability to cope with the nuances of this market. By acquiring an interest in the manufacturer we will also have an excellent opportunity to study the retail market and become prepared to enter it at the most propitious time.

Dividend Policy

The dividend rate on Common and Class "A" shares remained unchanged at 40 cents per share. The Board intends to maintain a dividend policy which will provide a meaningful return to shareholders. Dividends will increase in direct relationship to our earnings growth.

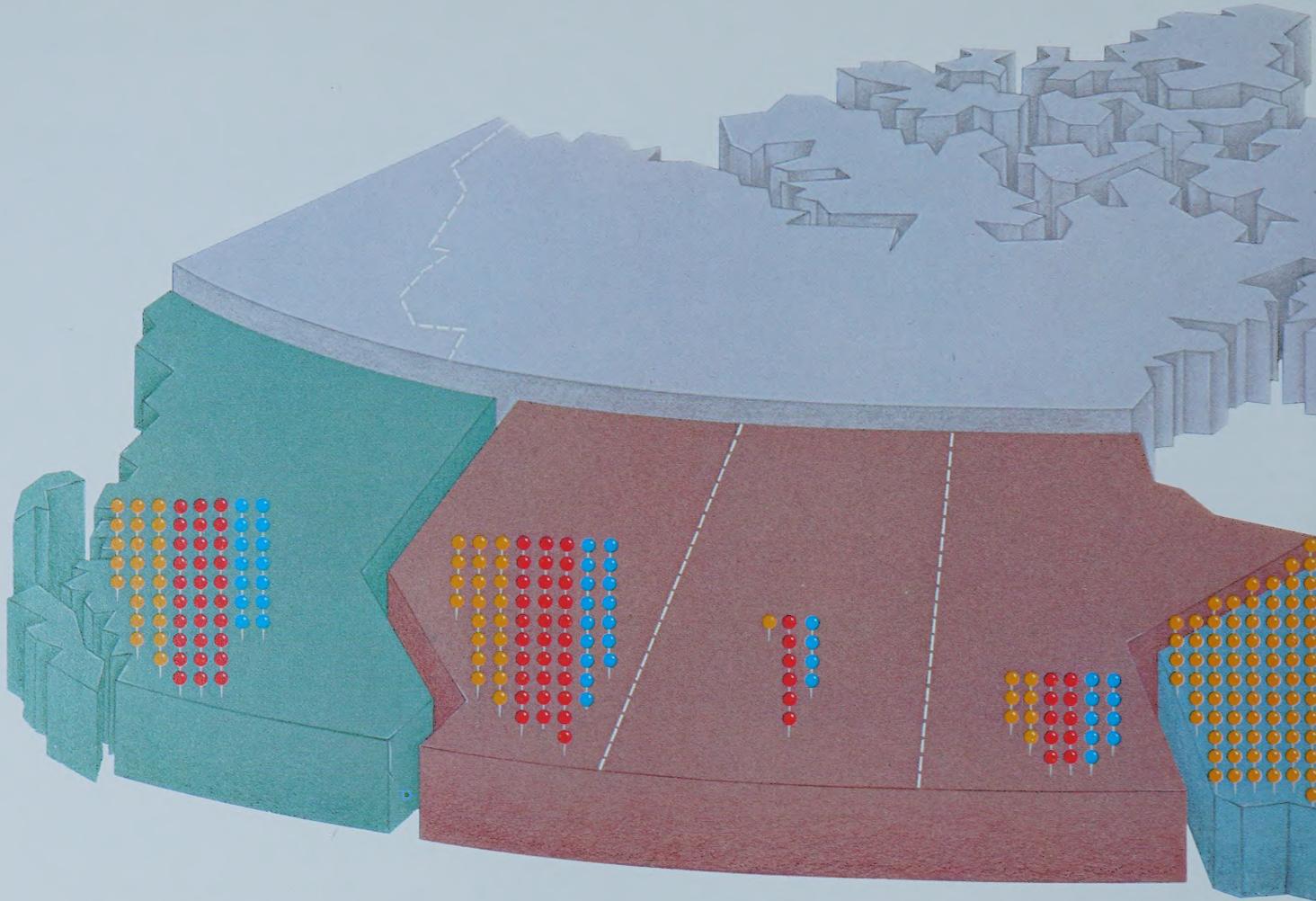
Appreciation

We are heartened by the response of our people during a very difficult year. They join with senior management in the conviction that, through careful planning and hard work, 1980 will see a return to growth in both sales and profits. With an attitude of this nature it would be difficult not to succeed. On behalf of the Board of Directors and management we thank them for their continuing dedication and enthusiasm.



Wilfred Posluns
President

April 16, 1980



DYLEX RETAIL POSITION *Growth and Prospects*

Dylex, Canada's largest specialty fashion retailer, sells men's, women's and family clothing through 730 outlets from coast to coast. The company's retail divisions are represented in every major metropolitan area and all large shopping centres across Canada. The value of this prime retail space is a company strength that traditionally has not been reflected on the balance sheet. Our retail leases derive their importance by securing under long-term agreements highly desirable store locations in prime shopping centres.

The current strong store occupancy position is the result of planning decisions and financial commitments made during the past decade. It represents a cornerstone of the company, the key to the continuing growth of its specialty retail chains—a market dominance which would be expensive and difficult to duplicate in today's business environment.

Dylex is regularly approached regarding new development opportunities. In assessing proposals the real estate department, in conjunction with the retail divisions, considers a number of factors. Initially attention is directed at the particular community. The addition

of a major shopping centre may be the equivalent of adding the retail space of a small city. The developer has already undertaken studies to show whether the new facilities will fulfil a need resulting from population growth or the deterioration of existing retail locations. The size, density, age composition and growth rate of the population, as well as the income level and buying habits of the community, are frequently included in any proposal. This data can be used in assessing whether Dylex has an initial interest in entering or expanding in the area.

Mall Location

A centre is developed to meet the perceived needs of an area; the geographic region which is expected to provide the major portion of the continuing patronage necessary for its support. This trade area naturally varies with the types and qualities of merchandise offered. The strongest influence within a shopping centre's trade area will be exerted closest to the site of the centre with the influence diminishing as the distance increases.

The primary trade area is composed of the immediate surrounding district

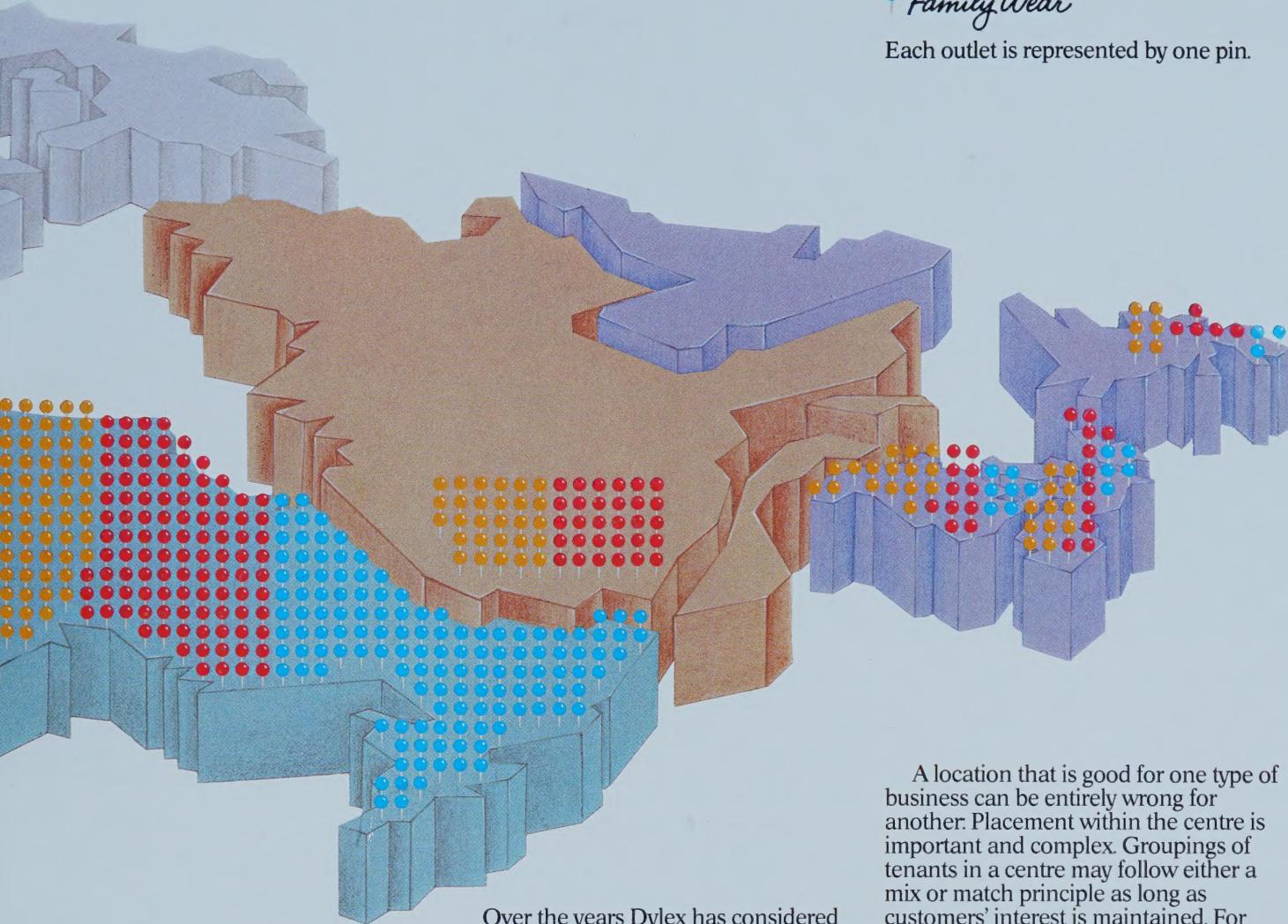
which does not have any competing major stores or shopping centres. For a regional centre it is likely that 60 to 70 percent of the ultimate sales volume will come from customers within 10 minutes driving time.

The secondary trade area may have competitive stores which are less conveniently accessible than the prospective centre. This wider territory can be set at 15 to 20 minutes driving time and may generate 15 to 20 percent of all sales.

The tertiary or fringe trade area is the broadest area from which customers may be drawn because of easier access, greater parking convenience and better merchandise, even though other stores may be available within the territory. Driving time from this area to the centre can be set at 25 to 30 minutes. In defining a trade area, both time and distance are considered. Barriers such as rivers, lakes, parks and hills may act as trade area limits and extend the area further in one direction than another.

- Women's Wear
- Men's Wear
- Family Wear

Each outlet is represented by one pin.



Over the years Dylex has considered the existence of a commitment to a shopping centre by major department stores as a supplement to any market studies. Because of the size and cost of its commitment, a department store must be selective in the centres in which it participates. Any decision must be based upon a thorough analysis of the market potential of a mall. The decision of these key tenants thus adds weight to any Dylex decision.

Tenant Location

Within a mall developers follow a basic rule: locate anchor tenants so that as much of the pedestrian shopper traffic as possible flows past the store fronts of supplementary tenants. The anchor tenants are normally separated and placed at strategic points in the mall. Parking and major entrances to the building are arranged to facilitate the movement of customers to the major stores. The resulting pedestrian circulation in the mall between the department stores encourages maximum exposure to other tenants.

A location that is good for one type of business can be entirely wrong for another. Placement within the centre is important and complex. Groupings of tenants in a centre may follow either a mix or match principle as long as customers' interest is maintained. For example men's wear stores may be grouped with other men's wear stores or with compatible tenants such as shoe stores or sporting goods outlets. The merchandising principles involved in determining a good tenant balance in a shopping centre are similar to those used by successful full-line department stores for their various departments.

Shopping centre developers have generally done a good job in selecting an appropriate tenant mix for their centres. Although the design of the centre and tenant placement are intended to create maximum traffic for all space, some locations by their nature are preferable to others. In negotiating for locations Dylex gives prime consideration to two factors; proximity to anchor tenants and proximity to major mall entrances.

Leases

In many malls today the Dylex retail divisions occupy an important position. The strength of our holdings is significant from a number of aspects. It provides

There are a number of factors which the real estate and retail divisions consider before making a decision. The proposed new mall may provide coverage of a market not adequately served by existing stores. This may be obvious from an analysis of existing locations or may require further study. New locations may also be considered for defensive reasons. Management must evaluate the consequences of not going into a new location. An analysis of existing trade patterns may indicate that present customers will likely be attracted to the new location. If the retailer is not represented in the new mall, the business will be lost. This factor becomes more important in metropolitan areas.

Another major factor in the final judgement is the anchor tenant. A decision by two, three or four major department stores to locate in a proposed centre makes it virtually imperative for Dylex to open stores in the new location because of the major stores' drawing power.



Our representation in Toronto's Sherway Gardens (colour coded by division) is typical of our position in many of Canada's larger shopping centres.

leverage with the landlord in obtaining prime locations. In addition it enhances our position when it comes to negotiating lease rates and terms. Today most of the leases for retail space are for 20 year terms.

Developer—Department Store Relationship

The initial objective of all the developers' market and economic studies is to obtain a commitment from potential anchor tenants. Without a key tenant or tenants there will normally not be a shopping centre. The anchor tenant commitment frequently is a form of partnership between the major tenant and the developer. The key tenant's requirements can influence the developers' decisions on leasing, financial negotiations, building treatment, architectural style, parking, signing and landscaping.

In recent years department stores have been taking a more active role in the development of new shopping complexes. In many situations they have entered into joint ventures with the developer. This changing role is causing a reconsideration by Dylex in its analysis of new opportunities. The department stores are no longer primarily concerned

about retail sales volumes or profits in deciding to go into a new location but rather may be willing to wait several years to earn retailing profits because of their anticipated combined profits as both retailer and developer.

As a result, Dylex is engaging in more extensive independent market analysis before making a decision. The Dylex real estate department rigorously negotiates new leases to emphasize to the developers the contribution its well-known stores also make to the overall success of the centre and obtain the most favourable terms possible.

Shopping Centres of the 1980's
Demand for new retail facilities is expected to grow through the early 1980's. A slower growth rate is expected thereafter as a result of the changing profile of the Canadian marketplace caused by the gradual aging and urbanization of the population. Retail growth will be increasingly more selective as the number of opportunities for regional malls decline. Greater emphasis will be placed on smaller centres, downtown redevelopment and renovation of existing facilities.

More and more, malls will be multi-purpose facilities. With the rising cost of energy, families will be making fewer trips and will want to get a larger portion of their needs at the same time. As a result there will be more public facilities such as libraries, community centres, etc.,

in or near the shopping centre. People will go to a mall not only because it is a retail centre but because of the cultural events it offers. It is where they will go for entertainment, recreation and other community events.

The new shopping centres of the 1980's promise to be different physically. They may be smaller. The limitation in available sites and the need to achieve cost efficiencies in construction, heating, fixturing and operation will result in more compact units. In the same vein, retailers will be demanding a reduced size store. Greater emphasis will be placed upon more energy efficient designs, smaller size, lower ceilings, less lighting, etc. to reduce the need for heating and cooling. This trend is already evident in the Dylex retail divisions. Many of the leases for newer outlets are for 10 to 15 percent less space than only a few years ago.

Market Coverage

Dylex currently has leases covering almost three million square feet of space, for 633 locations (730 different outlets) across Canada. However, these basic statistics do not effectively portray the retail position that has been built up over the years nor the company's potential for continued growth. Although Dylex had outlets across the country at the beginning of the decade, the company was already well represented in the strong Ontario market, where it was founded.

Today, while 58 percent of its outlets are in Ontario, the overall store pattern reflects a more truly national operation. For example, nine percent of the retail outlets are located in British Columbia which has approximately 11 percent of Canada's population and 14 percent of the outlets are in the Prairie provinces which have 17 percent of the country's population. (Table 1)

Dylex outlets are clustered in the major population centres of Canada which have offered the greatest opportunities for retail expansion. At the beginning of 1980, 58 percent of women's and family wear outlets and 63 percent of men's wear stores were located in the nine largest metropolitan areas with populations over 500,000. In aggregate, 60 percent of Dylex stores are in these key market areas which have 44 percent of Canada's population. (Table 2)

Throughout the growth period of the past decade, the focus of the company's aggressive expansion program has been on the regional shopping malls that have been springing up in the expanding suburbs of Canada's metropolitan areas. Almost one-third of Dylex outlets are in the country's 44 largest shopping centres—those of 575,000 square feet and larger. As shown in the table on page 30, a typical shopping centre will include representation from several of the company's retail divisions and larger centres will have stores from almost all divisions.

Current development is taking a number of forms. New regional centres are planned or under development in metropolitan suburbs and there is an increasing trend to redevelopment of the core areas of smaller and medium-sized cities to provide modern facilities in enclosed shopping malls.

Also, during the company's rapid expansion of the mid-1970's, it was not possible to take advantage of all the development opportunities presented. There are markets and shopping centres where Dylex is not fully represented. However, because of the company's growth and merchandising success, developers view Dylex as a key tenant when space becomes available to attract other merchants and to draw shoppers to their centres.

The company's experience has demonstrated that a base of 100,000 population is sufficient to support a typical store of one of the Dylex chains. The accompanying analysis of the company's penetration in major metropolitan areas indicates the wide variation between cities and the scope of expansion opportunities available in the less

heavily covered cities. For example, the company's three national women's wear chains—Fairweather, Suzy Shier and Town and Country—have among them 1.5 stores per 100,000 people in Edmonton and Calgary, as compared with Ontario, where the company operates two additional chains—Braemar and Ruby's Shoes—and has achieved a higher concentration of 2.9 women's wear stores per 100,000 population in the Toronto region. (Table 3)

This measure indicates considerable scope for expansion in the western cities to match the Ontario levels. In addition Braemar and Ruby's have entered only a small part of the Ontario market.

The two national men's wear divisions have attained a relatively higher level of penetration, but here also there is considerable potential for expansion.

Using the guide of one store per chain per 100,000 population, Dylex has the potential to be able to add nearly 300 new outlets in the major metropolitan areas alone. This measurement does not reflect opportunities available in smaller communities which draw shoppers from a wide rural trading area; the expansion of the regionally centred chains into new markets; normal population growth; and opportunities available in larger centres which can support more stores than this general guide would indicate.

Dylex outlets by Region (Table 1)

	British Columbia	Prairies	Ontario	Quebec	Maritimes	Total
Women's	22	29	192	28	34	305
Men's	30	47	104	30	27	238
Family	14	29	129	—	15	187
	66	105	425	58	76	730
% By Region	9%	14%	58%	8%	10%	
Canadian population (000) 1979 EST.	2,582	4,079	8,531	6,327	2,249	23,768
% By Region	11%	17%	36%	27%	10%	

Dylex Concentration in Metropolitan Areas (Table 2)

	Total Population millions	%	Women's Stores	%	Men's Stores	%	Family Stores	%
Nine metropolitan areas population over 500,000	10.4	44	177	58	151	63	109	58
15 metropolitan areas population 100,000 to 500,000	2.8	12	80	26	57	24	51	27
<i>Total</i>	13.2	56	257	84	208	87	160	85

Store Penetration in Major Metropolitan Areas over 500,000 (Table 3)

Metropolitan Area	Population (000)	Stores Per 100,000 Population		
		Women's	Men's	Family
Toronto	2891	2.94	1.77	2.18
Montreal	2822	0.46	0.61	—
Vancouver	1185	1.69	1.78	0.93
Ottawa-Hull	730	2.33	1.78	0.41
Edmonton	602	1.50	1.99	1.00
Winnipeg	586	1.20	1.71	1.37
Quebec City	562	1.07	1.25	—
Hamilton	534	2.25	1.50	2.25
Calgary	521	1.54	2.31	1.16



Natural
Textured
Blouse &
Skirt

Textured
Casual
Jacket

Taupe
Linen

REVIEW OF OPERATIONS

Net consolidated sales for the year increased 12.8 percent from \$329.5 million to \$371.6 million. The improvement resulted from the opening of new retail outlets; greater productivity from existing locations, primarily in the men's and family wear divisions; and an increase in fashion manufacturing sales.

Net earnings (before extraordinary items) were \$9.0 million or \$1.53 per share compared with a restated \$12.3 million or \$2.07 per share a year earlier. A gain of \$327,000 reported in the first quarter, from the sale of a 49 percent interest in the Harry Rosen division, raised the final profit to \$9.4 million or \$1.58 per share.

Results for both years were adjusted to reflect new accounting requirements with respect to lease agreements which are now classified as capital leases. The net effect of the change on earnings was an increase of two cents and three cents per share in 1979 and 1978 respectively.

Segmented Results

Sales of the consolidated retail divisions increased 11.6 percent from \$299.5 million to \$334.2 million. Operating earnings, before interest and head office charges, were down 26.2 percent to \$18.4 million. The consolidated fashion manufacturing divisions increased net sales from \$30.0 million to \$37.4 million or 24.6 percent. Operating earnings for fashion manufacturing increased 78.1 percent to \$4.3 million. The return on net sales before inter-group was 9.4 percent compared with 6.7 percent in 1978.

Combined Results

Under existing accounting rules a company cannot report as part of the consolidated statements the operating results of investments in which it has a significant influence but owns 50 percent or less of the shares. In order to

highlight the total impact Dylex has on the Canadian market the following supplementary data incorporates the results of both the consolidated and non-consolidated operations. The profits for the non-consolidated operations such as Town and Country and Bi-Way are reported in the audited statements as investment income.

WOMEN'S WEAR

Consolidated women's wear sales increased from \$105.3 million to \$111.1 or 5.4 percent. Combined retail sales increased 9.1 percent to \$153.2 million. Operating earnings before interest and head office charges were \$5.6 million or 3.6 percent on sales compared with \$11.4 million or 8.1 percent on sales in the previous year. Overall productivity declined from \$148 per square foot (53 week period) to \$141 per square foot (52 week period) reflecting a generally sluggish women's wear market.

	1979	1978
Consolidated sales	(52 weeks) \$111,057	(53 weeks) \$105,358
Associate sales	\$ 42,131	\$ 35,104
Combined sales	\$153,188	\$140,462
Operating earnings	\$ 5,585	\$ 11,408
Increase in combined sales	9.1%	25.7%
Return on sales	3.6%	8.1%
Sales per square foot (combined sales)	\$141	\$148

Fairweather sales were soft for most of 1979 as the result of conditions generally prevalent in women's wear and especially in junior wear. A slight decline in sales per square foot partially offset gains

from the modest expansion program resulting in an overall sales increase of 5.4 percent. The division took extensive markdowns throughout the year, initially to eliminate high spring inventories and later to maintain sales in response to competitive pressure in the market place. Profits were eroded by the decline in margins and higher occupancy costs.

Overall sales at Suzy Shier increased 7.5 percent during the year. Inventory levels were highly controlled to protect margins at the expense of sales resulting in higher margins for the chain. The gains in margins were offset by higher salary and occupancy costs.

Braemar dollar sales were virtually unchanged from the high levels of the preceding year and the number of outlets remained the same. Pressures on margins from more promotions together with higher occupancy costs resulted in a decline in earnings. Inventory levels were tightly controlled and ended the year substantially below those of a year ago.

Overall sales at Town and Country increased nearly 20 percent during the year as a result of a 29 percent increase in retail space. Store productivity was affected by the rapid expansion and soft market conditions.

Sales for Ruby's Shoes increased over 19 percent during the year as a result of additional retail space opened during the year. The costs associated with the rapid expansion and an erosion in margins combined to produce a decline in operating results.

Market

Dylex has established strong public acceptance among Canadian women through the well-known trade names of its divisions—Fairweather, Braemar, Town and Country, Suzy Shier and Ruby's Shoes.

Fairweather and Suzy Shier stores carry a broad range of fashion-oriented merchandise for young women 15 to 30 years of age. The merchandise includes coats, dresses, skirts, pants, shirts, sweaters and accessories. The use of designer concepts by Fairweather such as the "Daniel Hechter" line of clothing have been introduced to broaden the fashion range of the chain. Although Fairweather and Suzy Shier carry similar product lines the former are larger and offer a wider selection of merchandise. Suzy Shier provides Dylex with an added dimension with its larger representation in the Quebec market.

Braemar and Town and Country serve a different market segment. Braemar, with its stores clustered in the

Segmented Results— Consolidated Operations ('000)

	Retail		Manufacturing		Total	
	1979	1978	1979	1978	1979	1978
Sales	\$334,195	\$299,488	\$45,360	\$35,758	\$379,555	\$335,246
Intergroup	—	—	(7,963)	(5,734)	(7,963)	(5,734)
Net sales	\$334,195	\$299,488	\$37,397	\$30,024	\$371,592	\$329,512
Operating earnings	\$ 18,371	\$ 24,881	\$ 4,280	\$ 2,403	\$ 22,651	\$ 27,284
Increase in sales-%	11.6	20.1	24.6	37.5	12.8	21.5
Return on sales-%	5.5	8.3	9.4*	6.7*	6.1	8.3

*before intergroup elimination



CIRCULAR HANGERS

REGISTER

SKIRTS

DRAWS

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PICTURES

SHAPES

DRASSUS

Toronto area, appeals to a more sophisticated customer and usually has higher price points. Town and Country which sells across a wide age and size group has, in recent years, developed into a national chain with stores across Canada.

Ruby's Shoes sells fashionable, moderately-priced footwear to customers across Ontario.

Merchandising

Twice a year the management and senior buyers of Fairweather, Braemar and Suzy Shier visit the fashion centres of Europe to supplement the merchandise selected from domestic suppliers. In recent years the women's wear chains have increased the use of imports from the Far East in an effort to minimize the impact of inflation on their customers. Price and quality are always carefully matched to provide Canadian women with outstanding value.

Each of the chains follows a different merchandising policy. Fairweather relied heavily on price promotion in the early 1970's as it expanded rapidly and broke into new geographic markets. The same marketing style has been continued in order to increase store productivity.

Fairweather makes use of TV, radio and newspaper advertising and special fashion shows or events to generate fashion awareness among younger shoppers and support its promotion programs.

Town and Country has taken a different approach to promotions. Stability in price is important in reaching the more sophisticated consumer and thus the chain attempts to avoid a promotional image. Braemar, Town and Country and Suzy Shier rely primarily on store locations and in-store signing to generate traffic for their stores. Promotion is usually restricted to shopping mall flyers and occasional newspaper advertisements promoting specials or season-end mark downs.

Operations

Store operations are structured on a centralized basis. The larger chains will use regional and area managers to carry out company policies and ensure that stores are merchandised and operated to the high standards set by the company. Each chain has developed a program of in-store training stressing customer service, fashion awareness and store security. Opportunities are given for employees to advance and develop to the limits of their ability.

Fairweather and Braemar distribute merchandise to their stores from a modern computerized distribution centre located in Toronto. The facility is shared with Tip Top, Big Steel Man and Harry Rosen. Suzy Shier and Town and Country each operate their own distribution facilities. The Town and Country warehouse can handle approximately 120 stores. In the near future the chain will have to expand its facilities.

Competition

The sale of women's apparel is highly competitive. No one retailer or retail chain has an all pervading influence on the range of merchandise or prices offered to the public. Competition includes local retailers, other specialty chains and department stores.

Location

At the year-end there were 94 Fairweather stores located in major shopping centres and downtown areas throughout Canada. The stores average 6,500 square feet in size. During the year seven new locations were opened. The average size of the stores has been declining in recent years, reflecting the trend in the industry towards smaller stores. The summary of locations by regions has been adjusted to exclude Braemar stores in 1975 and 1976 when they were operating as part of the Fairweather chain.

In 1977 Braemar stores were spun off from the Fairweather chain to form a separate division. To date, Braemar has had a modest expansion program compared to the other women's wear

Fairweather Stores

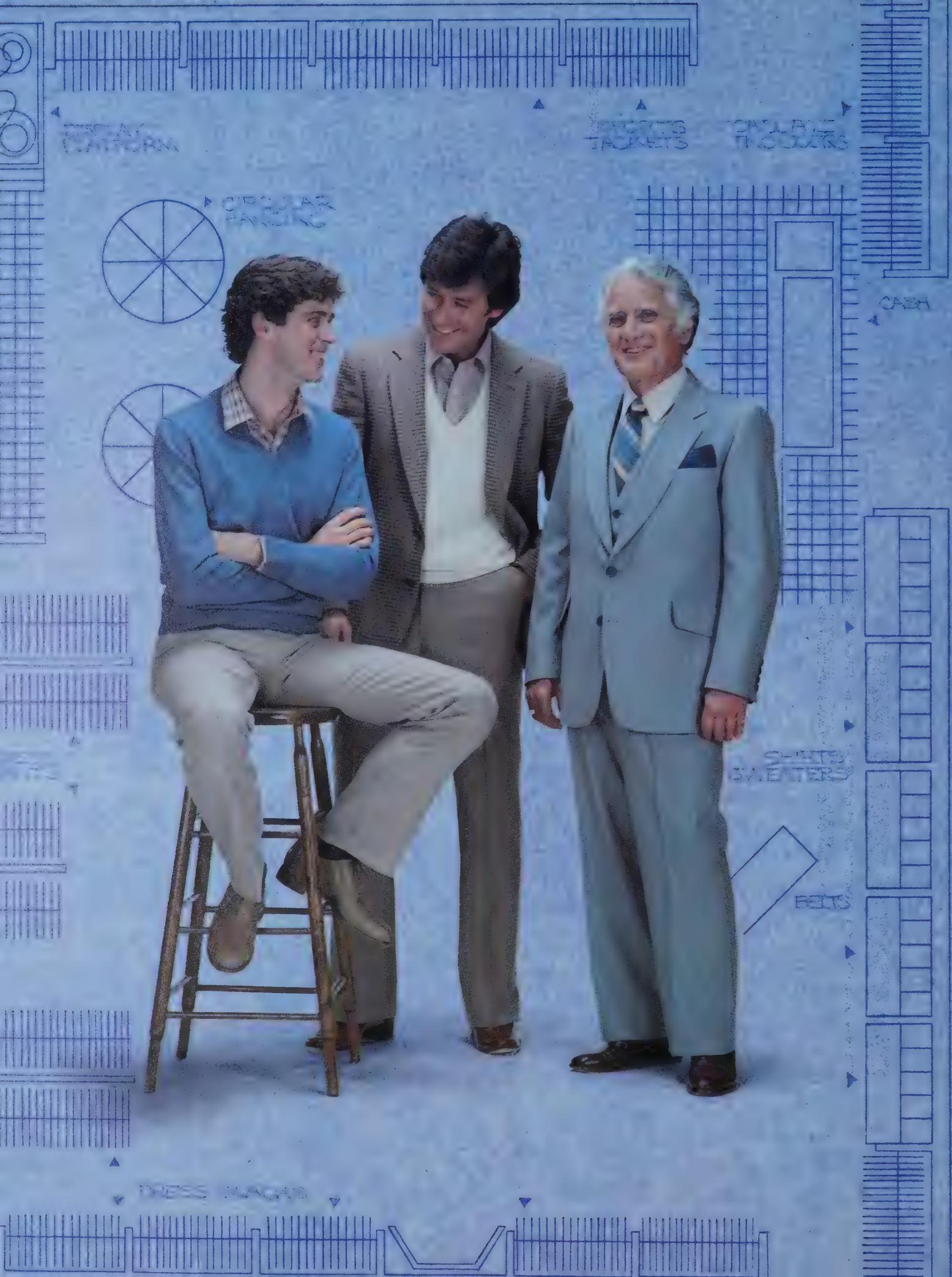
	1975	1976	1977	1978	1979	Annual % Change 1975-1979
British Columbia	10	10	12	13	14	8.8%
Prairies	10	13	13	14	17	14.1%
Ontario	31	32	36	42	44	9.1%
Quebec	7	7	7	7	7	-
Maritimes	6	6	8	11	12	18.9%
<i>Total</i>	<i>64</i>	<i>68</i>	<i>76</i>	<i>87</i>	<i>94</i>	<i>10.1%</i>
Store Openings	7	4	8	11	7	

Suzy Shier Stores

	1975	1976	1977	1978	1979	Annual % Change 1975-1979
British Columbia	-	-	-	-	-	-
Prairies	-	-	2	4	7	-
Ontario	10	18	21	31	33	34.2%
Quebec	15	18	18	20	19	6.1%
Maritimes	1	3	5	8	9	73.2%
<i>Total</i>	<i>26</i>	<i>39</i>	<i>46</i>	<i>63</i>	<i>68</i>	<i>27.2%</i>
Store Openings	-	13	7	17	7	
Store Closings	-	-	-	-	2	

Town and Country Stores

	1975	1976	1977	1978	1979	Annual % Change 1975-1979
British Columbia	-	-	-	4	8	-
Prairies	-	-	-	2	5	-
Ontario	52	52	55	65	75	9.6%
Quebec	2	2	2	2	2	-
Maritimes	3	5	8	11	13	49.5%
<i>Total</i>	<i>57</i>	<i>59</i>	<i>65</i>	<i>84</i>	<i>103</i>	<i>15.2%</i>
Store Openings	4	2	6	19	19	



chains. During the year the chain closed one small outlet and opened a new outlet in the prestigious Eaton Centre in Toronto. The chain's 11 stores average 3,800 square feet in size.

In 1975 Dylex acquired a 51 percent interest in Suzy Shier. At that time the chain was largely based in Quebec with some outlets in Ontario and the Maritimes. Since then the chain has expanded rapidly and now has 68 stores. Further expansion will take place principally in Western Canada and some locations in Ontario, Quebec and the Maritimes. At year-end the Suzy Shier stores averaged 2,600 square feet.

During 1979 Town and Country opened 19 new stores as part of a continuing program to develop a national presence for the chain. Town and Country operates stores which average 2,700 square feet.

Ruby's operate 29 outlets across Ontario. The chain has eight Shoe Shoppe outlets which are part of Fairweather stores and 21 free standing units. The stores average 1,300 square feet in size.

MEN'S WEAR

Men's wear sales increased to \$126.9 million from \$111.4 million or 13.9 percent. Operating earnings before interest and head office charges were \$8.4 million or 6.6 percent on sales compared with \$9.8 million or 8.8 percent in 1978. Overall productivity increased to \$168 per square foot (52 week period) from \$154 per square foot (53 week period).

	1979	1978
	(52 weeks)	(53 weeks)
Consolidated and combined sales	\$126,927	\$111,411
Operating earnings	\$ 8,407	\$ 9,804
Increase in sales	13.9%	19.5%
Return on sales	6.6%	8.8%
Sales per square foot	\$168	\$154

Tip Top sales were up 16.3 percent during the year as a result of a modest increase in retail space and improved overall productivity. Margins declined slightly during the year as the chain responded to competitive pressures particularly during the fall season. Other operating costs were held in check. Divisional profits were approximately equal to the preceding year.

The opening of additional retail space and increased productivity in existing

stores resulted in sales increases for Harry Rosen stores. High markdowns in the fall and increased salary, advertising and occupancy costs resulted in earnings being slightly below the record figure for the preceding year.

Big Steel Man stores did not achieve the gains experienced by the other men's wear chains. Sales increased only 4.9 percent and markdowns were significantly higher as the chain increased its promotions. The results in Big Steel accounted for most of the profit decline in men's wear.

Market

Tip Top stores provide a range of medium priced suits and furnishings to the 25 to 45 year old man. The merchandise, while current, does not cover the extremes in either fashion or price. Big Steel Man offers the younger man highly styled clothing at a moderate price. Harry Rosen, on the other hand, has built a reputation in the Toronto area as a personal service oriented chain selling quality suits and accessories.

Merchandising

In recent years the price of men's suits has been increasing. If current trends continue the average price of a man's suit may rise to over \$200. For a retailer such as Tip Top, supplying the broad middle range of the market, this trend is of concern. At these prices men may cut back on suit purchases and look for alternatives such as sports coats, pants and casual clothes. Tip Top merchandisers are aware of this constraint in merchandising mix decisions. The division does have an advantage in keeping costs down. Many of the suits sold in Tip Top stores are made by in-house manufacturing divisions. By guaranteeing large volume purchases Tip Top enables the manufacturing divisions to use economies of scale to produce suits at competitive prices.

Big Steel Man outlets are merchandised by separate men's wear buyers within the Fairweather division. Because of the requirements of the chain's younger customers special attention is placed on fashion-oriented goods.

Harry Rosen selects the best in domestic and foreign suppliers in order to meet the needs of its customers. Cambridge and Samuelson are among the leaders in world fashion whose fine suits and accessories are available in Harry Rosen outlets.

Promotion has played an important role in Tip Top in both entering new markets and extending coverage of

markets where they were established. Currently about 40 per cent of the suit business is done at regular prices and the remainder at promotional prices. Harry Rosen has attempted to avoid a promotional image. Most of its steady customers are attracted to the stores by selection and service, not price. Selected merchandise is cleared at sale prices at the end of each season.

The difference in merchandising philosophy is reflected in each chain's use of advertising. Tip Top makes extensive use of radio and newspaper advertisements in order to promote special "off price" events designed to generate traffic in the stores by providing special value to customers. Regularly the chain will mark down suits, sports coats and furnishings to maintain consumer interest in the stores. Big Steel Man promotional techniques generally parallel those used in Fairweather.

Harry Rosen is more selective in the type of advertising and the vehicles used. Greater emphasis is placed on the stores as a source of quality fashions for men. Attention is given to image building rather than "off price" promotions.

Operations

The men's wear outlets are directed from head office through area and regional managers. Tip Top is attempting to decentralize some of the store operations responsibilities in order to be more responsive to the needs of its customers and employees. This is particularly evident in the Quebec stores where government legislation plays an important role in the manner in which day to day business operations are conducted.

Big Steel Man outlets are supervised through the same store operation network set up to control Fairweather stores.

Management of Harry Rosen is able to direct the day to day operations of the stores from head office. The proximity of the stores makes it possible to maintain the close contact which is important in an environment where personal service is the key to success.

Competition

Competition in men's wear is as diverse as that found in women's wear. Both Tip Top and Big Steel Man compete with local and regional chains across the country as well as the men's wear department of the major department stores. Harry Rosen competes with other higher priced fashion-oriented retailers in the Toronto area.



WOMEN'S
JEANS

SWEATERS

WOMEN'S
BLouses

TICKETS

MEN'S
JACKETS

FOOT
WEAR

JEANS

MENS
CORDS

CASH
FLOOR

MENS
VESTS

T SHIRTS

CHILDREN'S VEST
JEAN'S

CASH & WRAP

Tip Top Stores

	1975	1976	1977	1978	1979	Annual % Change 1975-1979
British Columbia	12	13	17	17	18	10.7%
Prairies	21	25	27	28	31	10.2%
Ontario	42	42	46	51	53	6.0%
Quebec	14	23	24	24	23	13.2%
Maritimes	9	11	12	14	15	13.6%
Total	98	114	126	134	140	9.3%
Store openings	6	16	13	13	9	
Store closings	2	—	1	5	3	

Locations

At the year-end there were 140 Tip Top stores in prime locations across Canada. The stores average 4,200 square feet in size. During the year nine new stores were opened and three stores were closed.

In 1978 Fairweather completed the conversion of the unisex Big Steel outlets into Big Steel Man. Normally a Big Steel Man outlet is adjacent to a Fairweather store. The growth pattern of Big Steel Man thus coincides with that of Fairweather. At the year-end there were 90 Big Steel Man outlets across Canada with an average size of 1,700 square feet.

Harry Rosen expanded its chain to eight Toronto area stores with the opening of an outlet in the Eaton Centre. The stores average 4,700 square feet.

FAMILY WEAR

Consolidated family wear sales increased to \$96.2 million from \$82.7 million. Combined sales increased 45.6 percent to \$171.6 million. Operating earnings before interest and head office charges were \$12.5 million or 7.3 percent on sales compared with \$8.2 million or 7.0 percent in the previous year. Sales per square foot increased from \$164 (53 week period) to \$192 (52 week period). The 1979 results include the operation of Bi-Way for the full year.

	1979	1978
	(52 weeks)	(53 weeks)
	('000)	('000)
Consolidated sales	\$ 96,211	\$ 82,719
Associate sales	\$ 75,388	\$ 35,136
Combined sales	\$171,599	\$117,855
Operating earnings	\$ 12,532	\$ 8,238
Increase in combined sales	45.6%	68.6%
Return on sales	7.3%	7.0%
Sales per square foot (combined operations)	\$192	\$164

Family Fair recorded impressive sales gains during the year. Sales per square foot were up over 20 percent contributing to a 26.7 percent increase in sales. Margins in Family Fair were slightly lower than last year reflecting the divisions continuing strategy of emphasizing low prices to generate sales volumes and their profit dollars rather than concentrating on gross margin percentages. Other operating costs were rigidly controlled resulting in an increase in divisional earnings as well as a modest improvement in return on sales.

Productivity improvements in existing Thrifty's stores and the opening of eight new stores (one was closed during the year) contributed to a 10.4 percent increase in sales. Competitive pressures in the jeans market have increased over the past few years. Promotional programs designed to maintain sales volumes during the spring and pre-Christmas periods had an adverse effect on margins. Some of the negative impact of the program was offset by successful efforts to lower inventory levels. Operating profits were impacted by higher advertising and warehousing costs.

Combined family wear profits reflect the results of Bi-Way for the full year in 1979 compared with five months for the previous year. Bi-Way sales increased on a store-for-store basis with overall sales up nearly 20 percent. Bi-Way continued to follow its normal low margin, high volume practice. Profits were higher for the year.

Market

Family Fair and Bi-Way stores carry a broad range of budget merchandise to meet the total clothing needs of each member of the family. Thrifty's provide a wide selection of the latest in pants and jeans with such popular brand names as Levi, Lee's and Apple Bee. The chain attracts younger shoppers across Canada.

Merchandising

Family Fair and Bi-Way buyers use both domestic manufacturers and importers to maintain a wide selection of merchandise in the stores. Thrifty's deals with major manufacturers across Canada. Thrifty's has introduced its own brands in order to maintain prices.

Traffic in both Family Fair and Bi-Way is generated through newspaper and flyer advertising. Both chains regularly feature sales and promotions to maintain a reputation for value.

Thrifty's uses radio and television to develop its image as a chain that meets the fashion needs of the younger shopper. Emphasis is placed on selection and fashion. Until recently price promotions were not common among jeans retailers. As a result of rising prices and increased competition more extensive use is being made of promotions to attract customers.

Operations

Family wear stores are controlled from their respective head offices. In the case of Family Fair and Bi-Way special emphasis is placed on cost control.

All Family Fair inventory is initially processed in the company's own warehouse. After ticketing, the goods are distributed to the stores. Bi-Way has limited warehouse space available. Extensive use is made of drop shipments to the chain's stores where goods are quickly moved to the sales floor. Thrifty's operates a modern distribution centre for the movement of merchandise across Canada. Goods are shipped in bulk to the warehouse and delivered to the stores as required.

Competition

The products sold by Thrifty's are available from a variety of other retailers. Both Family Fair and Bi-Way are in competition with independent retailers, discounters, junior department stores and full-line department stores.

Location

Family Fair, with 39 stores, is an Ontario based retailer. Over the past few years the company has taken a number of steps to correct problems created by earlier decisions. Some stores have been closed and many others were reduced in size. In all more than 100,000 square feet of surplus space has been eliminated. During 1979 six new stores were opened. Family Fair stores average 11,100 square feet in size.

Family Fair Stores

	1975	1976	1977	1978	1979	Annual % Change 1975-1979
<i>Total</i>	33	30	32	33	39	4.3%
Store openings	4	—	2	2	6	
Store closings	—	3	—	1	—	

Thrifty's Stores

	1975	1976	1977	1978	1979	Annual % Change 1975-1979
British Columbia	5	6	13	13	14	29.4%
Prairies	19	23	25	26	29	11.1%
Ontario	35	41	47	53	55	12.0%
Quebec	—	—	—	—	—	—
Maritimes	4	8	11	14	15	39.2%
<i>Total</i>	63	78	96	106	113	15.7%
Store openings	21	17	18	11	8	
Store closings	—	2	—	1	1	

During the year Bi-Way opened six outlets, increasing the number of locations to 36. All but one of the stores, which average 7,500 square feet, are located in Ontario.

At the year end there were 113 Thrifty's stores in prime locations across Canada. The stores average 2,000 square feet of retail space. During the year eight new stores were opened and one was closed.

MANUFACTURING

Consolidated manufacturing sales increased from \$30.0 million to \$37.4 million in 1979 as the result of a significant improvement in some of the manufacturing divisions. Manchester Children's Wear continued to record impressive sales gains, over 33 percent following a 57 percent increase in the previous year. Profits were up significantly reflecting the benefits of high production volume.

National Knitting continued the turnaround which began in 1978. Sales increased 47.7 percent during the year. At the higher volumes the division was able to earn a substantial profit. Nu Mode Dress had a 7.3 percent increase in sales and profits continued at high levels. Posluns Sportswear had an 11.2 percent increase in sales with sharply higher profits.

Not all our manufacturing divisions are included in the consolidated operating results. In 1979 the Forsyth Group had a 11.9 percent increase in sales with a small improvement in profits. Manchester Manufacturing Inc. had 12.8 percent increase in sales, primarily in the

company's sales to Sears. Problems with the retail trade portion of their business resulted in an erosion in profits. Shane Knit had an excellent year in sales and profits. Together these companies had sales of \$74.5 million compared with \$59.9 million in 1978.

Where possible the manufacturers produce garments in their own plants. During peak periods, piece goods at various stages of production will be sent to small independent contractors for finishing. Any outside production is carefully inspected to ensure that quality standards are maintained. Some groups such as Forsyth import some garments in order to complete their product line and to maintain prices at competitive levels.

Most of the products are fashion oriented and subject to fashion change. This emphasis on fashion subjects the division to the risks inherent in any fashion industry. The Dylex divisions generally attempt to minimize the exposure by booking orders early using pricing incentives and then manufacturing to order.

The divisions seek to anticipate or respond to shifts in demand and redesign their product lines as consumer preferences change, and new fabrics become available. Groups of new suit and coat styles are introduced in the spring and fall seasons. More frequent style changes occur in women's sportswear and dresses.

Although the company's operations attempt to use the latest in technology there is still a great deal of labour required in the manufacture of garments. The production facilities are covered by

employee unions and pay competitive rates using incentive schemes. The price and availability of fabrics can fluctuate substantially due to market factors. Increases in fabric prices, to the extent that they have not been built into prices, can have a significant impact on profitability.

The key factor in determining the profitability of the manufacturing group is volume. The higher the volume the lower unit costs become and the more profitable the operation. The importance of volume was particularly apparent in the recent turn-around of National Knitting.

Competition

Competition in garment manufacturing is intense. Competitors include a large number of domestic and foreign suppliers. Success depends upon the responsiveness of a company's products to changing fashion trends, services rendered and price.

Customers

Customers for each of the manufacturing divisions include a variety of small retailers, specialty chains and major department stores. The manufacturing divisions offer garments to the Dylex retail divisions at competitive prices and terms. The retail divisions will determine if the goods meet their requirements.

CORPORATE

Interest Costs ('000)	1979	1978	Increase
Long term debt	\$1,619	\$ 908	78.3
Capital lease obligations	3,253	2,770	17.4
Other interest	3,373	1,962	71.9
	\$8,245	\$5,640	46.2

Interest expense increased from \$5.6 million to \$8.2 million. A number of factors contributed to the higher financial costs. Long term debt increased slightly as a result of additional financing obtained by the credit operation and a debenture issued in connection with the sale of an interest in Harry Rosen. During the year obligations under capital lease increased as a result of capital expenditures in new store fixtures and equipment. In addition operating loan requirements were sharply higher during spring 1979 as a result of higher inventory levels, particularly in women's wear.

Interest costs were also adversely affected by rising interest rates. Bank prime increased from 12 percent in

spring 1979 to 15 percent by October, the peak borrowing period. Over 70 percent of the long term debt is tied directly to bank prime.

Taxes

The average income tax rate declined from 43.4 percent to 40.9 percent. The change reflects a dramatic growth in manufacturing sales and earnings during the year (manufacturing operations receive a tax advantage over retailers) as well as the application of three percent inventory tax credit to the high opening inventory balances. The change in rates increased earnings almost five cents per share.

Investment Income

Investment income increased from \$2.8 million to \$3.4 million. The gain reflects the company's share of Bi-Way earnings for the full year compared with five months in 1978. Earnings for the other investments declined slightly during the year.

Sales for the non-consolidated retail operations increased from \$70.2 million to \$117.5 million. The manufacturing companies increased sales 24.4 percent to \$74.5 million.

Extraordinary Item

In February 1979 the company sold a 49 percent interest in the Harry Rosen chain to the division's general manager for cash. The sale resulted in a non-taxable gain of \$327,000 which increased final earnings by five cents per share.

BALANCE SHEET

Working Capital

Working capital increased to \$45.8 million while the working capital ratio increased from 1.82:1 to 1.87:1. Changes in accounting for leases introduced by the Canadian Institute of Chartered Accountants had the effect of reducing working capital by \$6.0 million in 1979 and \$4.1 million in 1978. The prior year's figures have been restated to reflect the changes.

Accounts Receivable

Accounts receivable declined slightly from \$30.0 million in 1978 to \$29.6 in 1979. Retail accounts receivable were down in 1979 primarily as a result of efforts to improve the collection of overdue consumer credit accounts, changes in repayment terms and more selective granting of credit to customers. Manufacturing receivables increased from \$4.3 million to \$4.8 million reflecting a significant increase in manufacturing sales. At the year end manufacturing accounts receiv-

able turnover was approximately the same as the previous year. Other receivables include such items as advances to contractors for the construction of store facilities to be leased in 1980, insurance claims outstanding and amounts due from associate companies.

Inventories

Inventory balances increased 9.2 percent during the year from \$61.8 million to \$67.5 million. Retail inventories increased 7.2 percent to \$58.2 million. The increase in retail inventories reflects a build up of inventories in the men's wear division resulting from lower turnover and the need to stock new stores. Inventory turns improved in the last half of the year as a result of efforts, particularly in the women's wear divisions and Thrifty's, to reduce inventories below last year's levels. Manufacturing inventories increased from \$7.5 million to \$9.3 million or 24.2 percent. Inventory turnover in the manufacturing sector improved during the year. The year end balances reflect finished goods and work in process for spring delivery against orders and raw materials for 1980 production.

Fixed Assets

Fixed assets increased to \$22.8 million with the purchase of new manufacturing equipment, renovations to retail stores and company owned plants and offices as well as the acquisition of additional in-store point-of-sale equipment.

Leased Assets

During the 1970's, Dylex leased most of the store equipment and fixtures required during its expansion program. The value of the assets and any obligations relating to them were not recorded in the financial statements, reflecting generally accepted accounting practice at that time. Since a typical Fairweather store may cost more than \$300,000 and the price of the smaller Tip Top and Suzy Shier stores may exceed \$100,000, these costs quickly reached significant levels. For this reason the annual reports over the past few years have included an estimate of the present value of outstanding lease payments.

The Canadian Institute of Chartered Accountants introduced new accounting requirements relating to the disclosure of leases. Leases are considered to be capital leases if the lease term covers 75 percent of the economic life, the present value of lease payments exceed 90 percent of the original cost of the assets or the contract contains a bargain purchase option. Store equipment and fixture

leases signed over the past few years qualify under the new rules and have been capitalized. Leases for retail locations do not meet the new requirements and have continued to be expensed. The previous year's statements have been adjusted to reflect the new accounting requirements. The following is a summary of the changes on the balance sheet.

	1979 ('000)	1978 ('000)
Assets		
Capital leases	\$50,215	\$40,408
Accumulated amortization	15,813	11,006
	\$34,402	\$29,402
Liabilities		
Obligations under capital lease		
—current	\$5,988	\$4,274
—long term	28,120	25,046
	\$34,108	\$29,320

Assets have been adjusted to reflect the original cost of store equipment and fixtures covered by equipment leases less a provision for accumulated amortization. The amortization has been charged to expense at the same rates that would be used if the assets were owned by the company.

Liabilities include an estimate of the amount that would be outstanding at the year end if the company had financed the assets through a loan rather than by leases. The amount was determined by estimating the present value of the future lease payments at the interest rates used in determining the rental payments in the lease agreements.

Long Term Debt

Long term debt increased from \$14.8 million to \$15.5 million as a result of additional funds borrowed by the credit operation and loans made to the Harry Rosen chain as part of the agreement to sell an interest in the subsidiary.

Equity

The debt/equity ratio has increased slightly at the year end from 70.2 percent to 71 percent. A significant improvement should occur in 1980 as capital expenditures are expected to decline substantially.

	1979 ('000)	1978 ('000)
Long term debt (including current position)	\$17,225	\$16,489
Obligations under capital lease (including current position)	34,108	29,320
	\$51,333	\$45,809
Shareholders equity	\$72,299	\$65,297
Debt/equity	71.0%	70.2%
Shares outstanding ('000)	5,926	5,926
Book value per share	\$12.20	\$11.02

Minority Interest

Minority interest reflects our partners' share of the consolidated subsidiaries—Thrifty's, Suzy Shier and Harry Rosen.

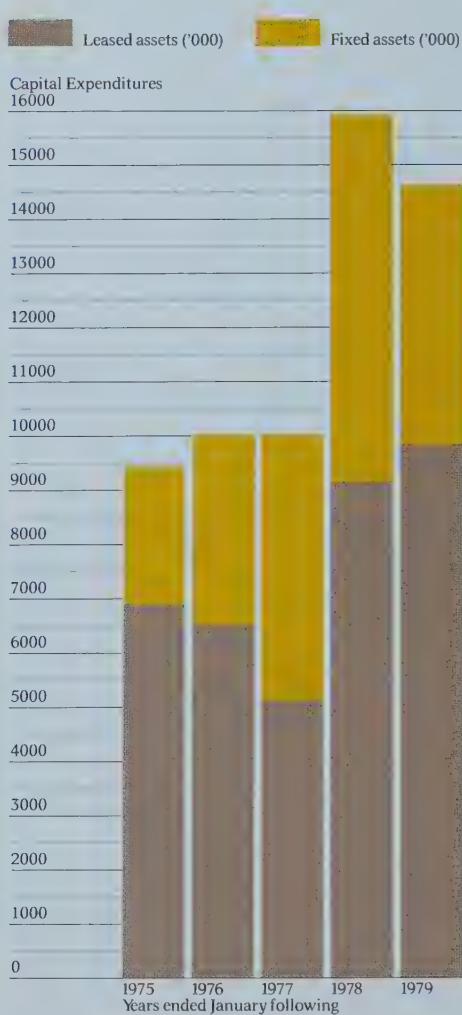
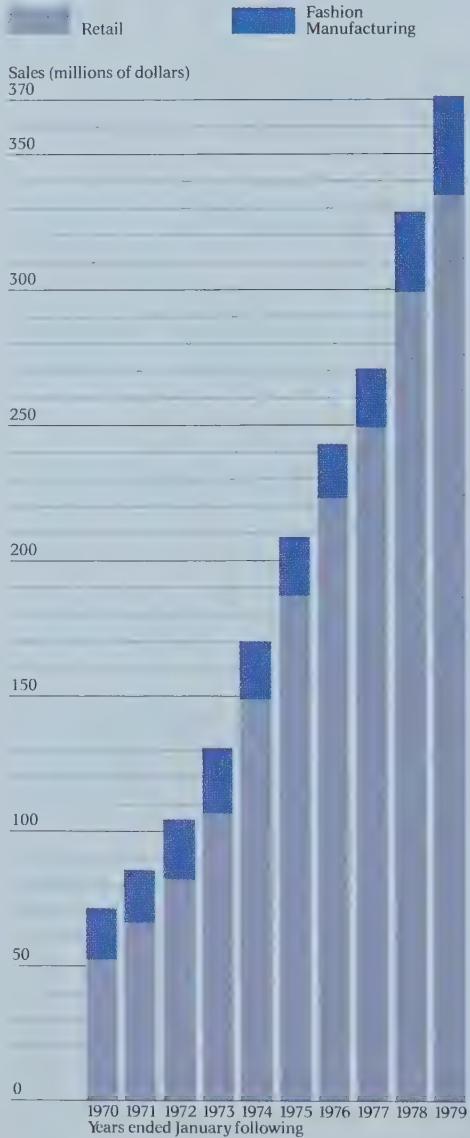
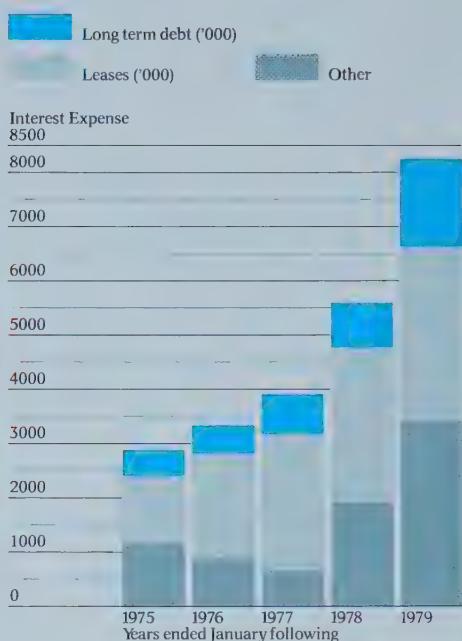
Dividends

Dividends were 40 cents per share in keeping with the company's established policy of increasing dividends in direct relationship to the growth in earnings.

Inflation Accounting

After several years of discussion the Canadian Institute of Chartered Accountants has recently issued a set of draft recommendations for reporting the effect of inflation on the financial position and earnings of large public companies. At such time as the accounting bodies resolve the problems related to the new rules Dylex will provide the required information. The rules as they have been proposed, however, are geared to the requirements of manufacturers with large commitments in capital. Little consideration has been given to the retail trades.

Various measures of the impact of inflation have been required in the United States for the past few years. A recent study of the impact of inflation on profits covering the period 1974-78 indicated that inflation adjusted profits in the retail trade were 81 percent of reported income compared with an industrial composite of 61 percent.



CONSOLIDATED STATEMENT OF EARNINGS
Dylex Limited

		February 2, 1980	February 3, 1979
		(restated note 2)	(53 weeks)
		(52 weeks)	(thousands of dollars)
<i>Sales</i>	Retail	\$334,195	\$299,488
	Fashion manufacturing	37,397	30,024
	Net sales	371,592	329,512
	Customer service income	3,170	2,692
		\$374,762	\$332,204
<i>Earnings</i>	<i>Earnings from operations before the following charges</i>	<i>\$ 28,821</i>	<i>\$ 31,932</i>
	Depreciation and amortization	8,498	6,700
	Amortization of deferred charges	—	225
	Amortization of goodwill	136	81
	Interest on long-term debt	1,619	908
	Interest on capital lease obligations	3,253	2,770
	Other interest	3,373	1,962
	<i>Earnings before income taxes</i>	<i>11,942</i>	<i>19,286</i>
	Income taxes	4,890	8,361
		7,052	10,925
	Income from investments (note 6)	3,366	2,820
	Minority interest in subsidiaries' earnings	(1,373)	(1,473)
	<i>Net earnings before extraordinary item</i>	<i>9,045</i>	<i>12,272</i>
	Gain on sale of interest in retail division	327	—
	<i>Net earnings</i>	<i>\$ 9,372</i>	<i>\$ 12,272</i>
<i>Earnings per share</i>	<i>Before extraordinary item</i>	<i>\$ 1.53</i>	<i>\$ 2.07</i>
	<i>For the year</i>	<i>\$ 1.58</i>	<i>\$ 2.07</i>

CONSOLIDATED STATEMENT OF RETAINED EARNINGS
Dylex Limited

		February 2, 1980	February 3, 1979
		(restated note 2)	(thousands of dollars)
	<i>Balance, beginning of year as previously reported</i>	<i>\$39,798</i>	<i>\$29,620</i>
	Change in accounting policy (note 2)	82	(108)
	As restated	39,880	29,512
	Net earnings	9,372	12,272
	Transfer from appraisal excess	22	22
		49,274	41,806
<i>Dividends</i>	Common shares (1980—40¢, 1979—32½¢ per share)	329	267
	Class "A" shares (1980—40¢, 1979—32½¢ per share)	2,041	1,659
		2,370	1,926
	<i>Balance, end of year</i>	<i>\$46,904</i>	<i>\$39,880</i>

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
Dylex Limited (Incorporated under the laws of Canada)

	February 2, 1980	February 3, 1979
	(restated note 2) (thousands of dollars)	
<i>Current assets</i>		
Accounts receivable (note 3)	\$ 29,590	\$ 29,970
Inventories (note 4)	67,492	61,791
Prepaid expenses	878	1,547
Notes and other investments due within one year (note 7)	426	373
	<u>98,386</u>	<u>93,681</u>
<i>Current liabilities</i>		
Bank indebtedness	3,637	2,210
Accounts payable	31,683	31,448
Income and other taxes payable	1,576	6,553
Notes payable (note 5)	7,979	5,434
Long-term debt due within one year (note 10)	1,683	1,689
Obligations under capital leases due within one year (note 11)	5,988	4,274
	<u>52,546</u>	<u>51,608</u>
<i>Working capital</i>	<u>45,840</u>	<u>42,073</u>
<i>Other assets</i>		
Investments in associate companies (note 6)	19,278	16,074
Notes and other investments (note 7)	2,589	2,938
Fixed assets (note 8)	22,759	21,642
Leased assets under capital leases (note 9)	34,402	29,402
Goodwill at cost less amortization	872	897
<i>Assets employed</i>	<u>\$125,740</u>	<u>\$113,026</u>
<i>Financed by— Other liabilities</i>		
Long-term debt (note 10)	\$ 15,542	\$ 14,800
Obligations under capital leases (note 11)	28,120	25,046
Deferred income taxes	1,894	1,371
Minority interests	7,885	6,512
	<u>53,441</u>	<u>47,729</u>
<i>Shareholders' equity</i>		
Capital stock (note 12)		
Common shares	1,730	1,730
Class "A" shares	22,053	22,053
Excess of appraised value of fixed assets over cost	1,612	1,634
Retained earnings	46,904	39,880
	<u>72,299</u>	<u>65,297</u>
<i>Capital employed</i>	<u>\$125,740</u>	<u>\$113,026</u>

Approved on behalf of the board: J. F. Kay, Director, W. Posluns, Director

The accompanying notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
Dylex Limited

	February 2, 1980	February 3, 1979
	(restated note 2) (thousands of dollars)	
<i>Source of funds</i>		
Net earnings before extraordinary item	\$ 9,045	\$12,272
Depreciation and amortization	3,827	3,371
Amortization of leased assets under capital leases	4,807	3,635
Income from investments	(3,366)	(2,820)
Increase in deferred income taxes	523	280
Minority interest in net earnings	1,373	1,473
<i>Funds from operations</i>	16,209	18,211
Increase in obligations under capital leases (net)	3,074	4,931
Increase in long-term debt (net)	742	7,565
Decrease in investments	399	2,750
Gain on sale of interest in retail division	327	—
Disposal of fixed assets	103	45
	20,854	33,502
<i>Use of funds</i>		
Leased assets under capital leases	\$ 9,807	\$ 9,284
Fixed assets	4,910	6,692
Dividends	2,370	1,926
Acquisition	—	7,725
Increase in investments	—	50
	17,087	25,677
<i>Net increase in working capital</i>	3,767	7,825
<i>Working capital, beginning of year</i>	42,073	34,248
<i>Working capital, end of year</i>	\$45,840	\$42,073

AUDITORS' REPORT
To the Shareholders of Dylex Limited

We have examined the Consolidated Statement of Financial Position of Dylex Limited as at February 2, 1980, and the Consolidated Statements of Earnings, Retained Earnings and Changes in Financial Position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these Consolidated Financial Statements present fairly the financial position of the Company as at February 2, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied, after giving retroactive effect to the change in accounting for leases referred to in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Toronto, Canada
March 13, 1980

Wm. Eisenberg & Co.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT FEBRUARY 2, 1980
Dylex Limited

1. Accounting policies

Principles of Consolidation

The Consolidated Financial Statements include the accounts of all divisions and subsidiaries of Dylex Limited as well as the Company's share of the assets, liabilities, sales and expenses of its unincorporated joint venture (Nu Mode Dress). All significant intercompany transactions have been eliminated.

Where 50% or less of the outstanding common shares of associate companies are held, the investment is initially recorded at cost and adjusted annually to reflect the Company's share of earnings and dividends.

Inventories

Retail store inventories are valued, using the retail inventory method, at the lower of cost and net realizable value, less normal profit margins. Manufacturing inventories are priced at the lower of cost (principally on a first-in, first-out basis) and net realizable value.

Fixed assets

Fixed assets are recorded at cost, except for the Company's property at 637 Lake Shore Boulevard West, Toronto, which is at 1967 appraised value. The appraisal excess is being transferred to retained earnings at the rate used for the depreciation of buildings.

Depreciation is designed to amortize the fixed assets on a straight-line basis over their estimated useful lives at the following rates:

Buildings	2½%
Building renovations	20%
Equipment and leasehold improvements	10- 20%
Automotive	25%

When fixed assets are sold or retired, the related cost and accumulated depreciation are removed from the respective accounts and any profit or loss is reflected in the Consolidated Statement of Earnings.

Leases

Certain long-term lease transactions relating to the financing of store and other equipment are accounted for as capital leases. Assets recorded under capital leases are amortized on a straight line method using rates that are consistent with similar company owned assets. Obligations recorded under capital leases are reduced by rental payments net of imputed interest.

All other leases, including those relating to store premises, are classified as operating leases and are expensed in accordance with the terms of the lease agreement.

Goodwill

The excess of purchase price over the fair market value of the net assets of subsidiaries and associates is being amortized on a straight-line basis over a period not exceeding forty years. Goodwill on acquisitions prior to March 31, 1974 was written off to retained earnings.

Deferred income taxes

The Company follows the deferral method of income tax allocation under which the provision for income taxes relates to the accounting income for the period. The accumulated tax reductions applicable to future years result principally from claiming amounts for tax purposes in excess of book depreciation.

Pension plan

The Dylex pension plan is a unit benefit career average plan which, based on actuarial reviews, has no unfunded liability for either past or future service. All current costs are expensed as incurred.

Store opening costs

All costs associated with the opening of new stores are expensed as incurred.

2. Change in accounting policy

During 1979 the Company adopted the recent recommendations of the Canadian Institute of Chartered Accountants in its accounting for leases. Previously the Company expensed all lease charges as they accrued.

As a result of the change, which has been applied retroactively, consolidated net earnings for 1980 and 1979 have been increased by \$126,000 and \$190,000 respectively. The unamortized portion of the capital assets and obligations under capital leases has been reflected in the Consolidated Statement of Financial Position.

	1980	1979
<i>3. Accounts receivable</i>		
Retail, including consumer credit accounts	\$19,970,000	\$20,880,000
Fashion manufacturing	4,795,000	4,302,000
Other, including due from associate companies	4,825,000	4,788,000
	\$29,590,000	\$29,970,000

	1980	1979
<i>4. Inventories</i>		
Retail	\$58,181,000	\$54,295,000
Fashion manufacturing	9,311,000	7,496,000
	\$67,492,000	\$61,791,000

5. Notes payable

This amount is comprised primarily of short-term notes payable to associate companies.

	Percentage ownership
Bi-Way Stores Limited	50%
Brody's Town & Country (1967) Limited	50%
Drug World Limited	50%
Shane Knit Limited	50%
The Shoe Shoppe Limited	50%
Manchester Manufacturing Inc.	42%
Forsyth Trading Company Limited and its subsidiaries	33⅓%

7. Notes and other investments

This item includes a 7% unsecured note for \$2,337,000 (1979, \$2,584,000) from Strathearn House Group Limited, due February 15, 1983, and repayable in equal monthly instalments on a 15 year amortization basis.

	1980	1979
<i>8. Fixed assets</i>		
Land	\$ 1,370,000	\$ 1,370,000
Buildings	7,302,000	7,091,000
Equipment and leasehold improvements	32,085,000	29,110,000
	40,757,000	37,571,000
Accumulated depreciation	17,998,000	15,929,000
	\$22,759,000	\$21,642,000

9. Leased assets under capital leases

	1980	1979
Capital leases	\$50,215,000	\$40,408,000
Accumulated amortization	15,813,000	11,006,000
	\$34,402,000	\$29,402,000

		1980	1979
10. Long-term debt	<i>Notes payable</i>		
	By the finance subsidiary, principally to directors, officers and shareholders of the Company and their associates at prime bank rate. Current notes which are expected to be renewed are shown as long-term	\$ 3,810,000	\$ 3,177,000
	Prime less 1%, due July 21, 1983	4,000,000	4,000,000
	Finance company notes secured by chattel mortgages	1,659,000	2,083,000
	Non-interest bearing, due December 1, 1980	89,000	179,000
	10% Debenture due February 26, 1989	653,000	—
	<i>First mortgages on buildings</i>		
	Lender's cost of borrowing, plus 1 1/4%, due May 15, 1985	4,277,000	4,711,000
	9 1/2%, due December 1, 1997	583,000	595,000
	10 1/2%, due May 15, 1999	741,000	111,000
	Bank term loan, prime plus 1/2%, due June 30, 1981	395,000	505,000
	Other, principally landlord loans	1,018,000	1,128,000
		17,225,000	16,489,000
	Due within one year	1,683,000	1,689,000
		\$15,542,000	\$14,800,000
	Requirements for repayment within the next five years are as follows:	1981	\$ 1,683,000
		1982	4,573,000
		1983	976,000
		1984	4,884,000
		1985	647,000
11. Lease commitments	<i>(a) Capital</i>		
	Future minimum lease payments under capital leases, all of which expire by 1986.		
	1981	\$ 9,272,000	
	1982	9,103,000	
	1983	10,095,000	
	1984	6,764,000	
	1985	4,364,000	
	Thereafter	2,626,000	
	<i>Total minimum lease payments</i>	42,224,000	
	Less amount representing imputed interest at rates varying from 8.7% to 12.7%	8,116,000	
	<i>Present value of obligations under capital leases</i>	34,108,000	
	Due within one year	5,988,000	
	<i>Obligations under capital leases</i>	\$28,120,000	
	<i>(b) Operating</i>		
	Aggregate rentals paid on operating leases for property and equipment leases for the year ended February 2, 1980 amounted to \$20,721,000 (1979, \$18,004,000).		

Minimum rentals for the next five years on long term operating leases in effect at February 2, 1980 are:

1981	\$18,559,000
1982	18,566,000
1983	18,427,000
1984	18,061,000
1985	17,704,000

12. Capital stock

Authorized
6,000,000 Common shares without par value (convertible into class "A" shares on a one-for-one basis)
20,000,000 Class "A" participating preference shares, without par value
1,000 Class "B" non-participating preference shares, without par value

Issued	1980	1979
822,207 Common shares (unchanged during year)	\$ 1,730,000	\$ 1,730,000
5,103,359 Class "A" shares (unchanged during year)	\$22,053,000	\$22,053,000

13. Remuneration of directors and officers of Dylex Limited

	1980	1979
Number of directors	19	19
Number of officers	20	20
Directors also officers	12	12
Aggregate remuneration—directors	\$6,000	\$4,000
Aggregate remuneration—officers	\$ 2,702,000	\$ 3,168,000

14. Contingent liabilities

The Company, together with others, has guaranteed the bank loans, notes payable and equipment lease obligations of associate companies and the Key Employee Stock Plan to the extent of \$2,284,000.

As at February 2, 1980, the outstanding amount covered by these guarantees was approximately \$1,561,000, of which amount Dylex holds cross-guarantees from other guarantors for approximately \$323,000.

15. Segmented results —thousands of dollars

	Retailing 1980	Retailing 1979	Manufacturing 1980	Manufacturing 1979	Adjustments 1980	Adjustments 1979	Consolidated 1980	Consolidated 1979
<i>Sales</i>								
\$334,195	\$299,488	\$45,360	\$35,758	(\$7,963)	(\$5,734)	\$371,592	\$329,512	
<i>Operating earnings</i>								
18,371	24,881	4,280	2,403	—	—	22,651	27,284	
Interest	—	—	—	—	—	—	8,245	5,640
Head office charges	—	—	—	—	—	—	2,464	2,358
<i>Earnings before income tax</i>	—	—	—	—	—	—	11,942	19,286
Gross assets at year end	126,806	116,759	16,912	16,024	34,568	31,853	178,286	164,634
Depreciation and amortization	7,292	5,633	547	435	659	632	8,498	6,700

16. Subsequent events

On January 10, 1980 the Company announced that it had entered into an agreement in principle to acquire 70% of a new company to be formed as a result of a merger of Tobias Kotzin Company, a U.S. based manufacturer and a subsidiary of Dylex Limited. The agreement is subject to the approval of the shareholders of Tobias Kotzin Company, regulatory authorities and certain conditions to be settled through negotiation. The company has agreed to guarantee the indebtedness of the new company in an amount of \$4,800,000 U.S. and to arrange for its banking requirements.

TEN YEAR FINANCIAL REVIEW

	(Years ended January following)	1979	1978	1977	1976
<i>Consolidated operating results</i> (thousands of dollars)	<i>Sales</i>				
Retail	\$334,195	299,488	249,446	223,197	
Fashion manufacturing	45,360	34,835	25,416	24,700	
Inter-group	(7,963)	(4,811)	(3,577)	(3,662)	
<i>Net sales</i>	<i>\$371,592</i>	<i>329,512</i>	<i>271,285</i>	<i>244,235</i>	
Net earnings before extraordinary items	\$ 9,045	12,272	8,541	7,274	
<i>Earnings per share</i> before extraordinary items (note 1)	1st Quarter	\$ 0.09	0.23	0.17	0.18
	2nd Quarter	0.02	0.15	0.12	0.16
	3rd Quarter	0.79	0.80	0.56	0.50
	4th Quarter	0.63	0.89	0.62	0.41
	<i>Total</i>	<i>\$ 1.53</i>	<i>2.07</i>	<i>1.47</i>	<i>1.25</i>
<i>Financial analysis</i>	Working capital (note 1)	\$ 45,840	42,073	37,943	29,982
	Working capital ratio	1.9	1.8	2.2	1.9
	Book value per share	\$ 12.20	11.02	9.29	8.04
	Asset turnover	2.2	2.3	2.8	2.8
	Shareholders' equity (note 1)	\$ 72,299	65,297	55,059	46,839
	Return on equity—percent	13.1	20.4	16.8	16.6
	Return on sales—percent	2.4	3.7	3.1	3.0
<i>Shareholders information</i>	Number of shareholders	1,812	1,936	2,279	2,592
	Average shares outstanding ('000)	5,926	5,926	5,826	5,826
	Dividends on class "A" shares	\$ 0.40	0.325	0.225	0.225
	Toronto Stock Exchange Quotation				
	Class "A" shares—high	\$ 16 ¹ / ₄	14 ³ / ₄	8 ¹ / ₂	8 ¹ / ₄
	—low	\$ 9	8	6 ³ / ₈	5 ⁵ / ₈
<i>Retail information—</i> (Consolidated and associate operations) (note 2)	<i>Sales</i> (thousands of dollars)				
	Consolidated	\$334,195	299,488	249,446	223,197
	Associate	117,456	70,240	25,431	22,361
	<i>Total</i>	<i>\$451,651</i>	<i>369,728</i>	<i>274,877</i>	<i>245,558</i>
	<i>Sales by market</i>				
	Women's	\$153,188	140,462	111,755	103,174
	Men's	126,927	111,411	93,233	80,306
	Family	171,599	117,855	69,889	62,078
	<i>Total</i>	<i>\$451,714</i>	<i>369,728</i>	<i>274,877</i>	<i>245,558</i>
	Number of stores	634	569	466	408
	Store space at year end ('000 sq. ft.)	2,865	2,592	2,091	1,900
	Average store space during year ('000 sq. ft.)	2,735	2,347	1,986	1,833
	<i>Sales per square foot</i> (note 3)				
	Women's	\$ 141	148	135	132
	Men's	\$ 168	154	148	150
	Family	\$ 192	164	121	106
	<i>Total retail</i>	<i>\$ 165</i>	<i>155</i>	<i>135</i>	<i>130</i>

1975	1974	1973	1972	1971	1970
\$187,625	148,298	107,446	82,768	66,253	54,405
23,941	25,488	27,124	23,688	20,481	17,803
(3,355)	(2,495)	(2,016)	(1,241)	(1,582)	(1,045)
\$208,211	171,291	132,554	105,215	85,152	71,163
\$ 7,424	5,242	4,466	3,781	2,333	408
\$ 0.15	0.13	0.10	0.07	—	—
0.15	0.12	0.10	0.07	—	—
0.52	0.32	0.27	0.22	—	—
0.45	0.33	0.30	0.29	—	—
\$ 1.27	0.90	0.77	0.65	0.40	0.07
\$ 26,916	22,556	17,848	12,001	11,432	9,859
1.8	1.8	1.6	1.4	1.7	1.6
\$ 7.01	5.95	5.19	4.00	3.37	2.92
2.7	2.5	2.1	—	—	—
\$ 40,876	34,654	30,228	23,264	19,476	16,845
19.7	16.2	16.7	—	—	—
3.6	3.1	3.4	3.6	2.7	0.6
2,683	2,869	2,743	2,693	2,680	2,337
5,826	5,826	5,826	5,803	5,786	5,774
\$ 0.20	0.14	0.12	0.075	0.005	0.005
\$ 8 ⁷ / ₈	7 ³ / ₈	12 ³ / ₄	11 ⁷ / ₈	4.62	4.00
\$ 4.30	3.00	5 ⁵ / ₈	4.25	1.80	1.75
\$187,625	148,298	107,446	82,768	66,253	54,405
18,663	16,750	12,710	7,055	4,876	3,600
\$206,288	165,048	120,156	89,823	71,129	58,005
\$ 89,824	70,223	47,346	36,184	28,794	21,487
65,658	55,500	44,177	36,826	29,450	24,932
50,806	39,325	28,633	16,813	12,885	11,586
\$206,288	165,048	120,156	89,823	71,129	58,005
361	292	246	168	142	131
1,789	1,612	1,385	933	820	753
1,705	1,501	1,145	855	796	689
\$ 128	121	113	109	92	79
\$ 141	127	124	127	105	96
\$ 85	73	70	68	55	50
\$ 117	106	101	103	88	80

Notes

1. Goodwill on acquisitions prior to 1974 has been written off. Finance subsidiary excluded in 1970 and 1971. Earnings have been adjusted for the disposal of the Home Products Group at the end of 1972. Results for 1978 and 1979 reflect the capitalization of leased assets. Prior years figures have not been adjusted.

2. All retail information reflects the results of both subsidiaries which are consolidated and associates (Town and Country, Bi-Way, Ruby's Shoes) which are not consolidated.

3. Based on average square footage in use excluding outside wholesale sales and sales of integrated manufacturing divisions.

DYLEX REPRESENTATION IN METROPOLITAN AREAS

Metro areas with populations over 100,000 (1979)	'000	Total number of stores			Stores per 100,000 population		
		Women's	Men's	Family	Women's	Men's	Family
Canada	23,768	—	—	—	—	—	—
Toronto	2,891	85	51	63	2.94	1.77	2.18
Montreal	2,822	13	17	—	0.46	0.61	—
Vancouver	1,185	20	21	11	1.69	1.78	0.93
Ottawa-Hull	730	17	13	3	2.33	1.78	0.41
Edmonton	602	9	12	6	1.50	1.99	1.00
Winnipeg	586	7	10	8	1.20	1.71	1.37
Quebec City	562	6	7	—	1.07	1.25	—
Hamilton	534	12	8	12	2.25	1.50	2.25
Calgary	521	8	12	6	1.54	2.31	1.16
St. Catharines—Niagara	308	8	3	5	2.28	0.98	1.63
Kitchener	283	11	7	10	3.89	2.48	3.54
London	278	11	4	7	3.96	1.44	2.52
Halifax	275	12	11	4	4.37	4.00	1.46
Windsor	248	7	2	5	2.83	0.81	2.02
Victoria	226	2	4	3	0.89	1.77	1.33
Regina	162	—	2	2	—	1.24	1.24
Sudbury	155	3	4	1	1.94	2.58	0.65
St. John's	149	6	5	3	4.03	3.36	2.02
Oshawa	143	4	3	5	2.80	2.10	3.50
Saskatoon	143	1	3	1	0.70	2.10	0.70
Chicoutimi—Jonquiere	130	3	1	—	2.31	0.77	—
Thunder Bay	121	4	2	2	3.31	1.66	1.66
Saint John	116	6	5	3	5.18	4.31	2.59
Sherbrooke	108	2	1	—	1.86	0.93	—
Total Outlets	257	208	160	1.94	1.57	1.21	

COMBINED RETAIL SALES BY REGION ('000)

	Women's		Men's		Family		1978
	1979	1978	1979	1978	1979	1978	
Maritimes	\$ 13,173	\$ 11,737	\$ 11,584	\$ 10,165	\$ 6,796	\$ 6,141	
Quebec	10,849	9,869	16,430	15,413	—	—	
Ontario	100,408	94,060	62,067	55,147	146,585	96,403	
Prairies	17,699	15,008	25,636	21,087	14,192	11,938	
British Columbia	11,059	9,788	11,210	9,599	4,026	3,373	
	\$153,188	\$140,462	\$126,927	\$111,411	\$171,599	\$117,855	

RETAIL STORES BY LOCATION

	Total	Fairweather*	Braemar	Suzy Shier	Town and Country	Ruby's*
Women's	British Columbia	22	14	—	—	8
	Alberta	21	12	—	6	3
	Saskatchewan	1	1	—	—	—
	Manitoba	7	4	—	1	2
	Ontario	192	44	11	33	75
	Quebec	28	7	—	19	2
	New Brunswick	16	5	—	5	6
	Nova Scotia	12	5	—	2	5
	Newfoundland	6	2	—	2	2
	<i>Total</i>	305	94	11	68	103
Men's	Total	Tip Top	Big Steel Man*	Harry Rosen		
	British Columbia	30	18	12	—	
	Alberta	31	20	11	—	
	Saskatchewan	6	5	1	—	
	Manitoba	10	6	4	—	
	Ontario	104	53	43	8	
	Quebec	30	23	7	—	
	New Brunswick	11	6	5	—	
	Nova Scotia	11	6	5	—	
	Newfoundland	5	3	2	—	
	<i>Total</i>	238	140	90	8	
Family	Total	Thrifty's	Family Fair	Bi-Way		
	British Columbia	14	14	—	—	
	Alberta	16	16	—	—	
	Saskatchewan	4	4	—	—	
	Manitoba	9	9	—	—	
	Ontario	129	55	39	35	
	Quebec	—	—	—	—	
	New Brunswick	7	7	—	—	
	Nova Scotia	5	5	—	—	
	Newfoundland	3	3	—	—	
	U.S.A.	1	—	—	1	
	<i>Total</i>	188	113	39	36	
<i>Total retail outlets</i>						
<i>Less integrated units</i>						
<i>Total retail stores</i>						

*Some Big Steel Man (89 locations) and Ruby's (8 Shoe Shoppe locations) are part of freestanding Fairweather stores.

REPRESENTATION IN MAJOR SHOPPING CENTRES IN CANADA

Centre	Location	Sq. Ft '000	No. of Stores	Major Tenants
Eaton Centre	Toronto	1,550	300	Eaton's
Square One	Mississauga	1,541	165	Sears, The Bay, Woolco
Place Laurier	Quebec City	1,432	300	Sears, Syndicat, Paquet
Scarborough Town Centre	Toronto	1,108	137	Eaton's, Simpsons, The Bay
Yorkdale	Toronto	1,091	108	Eaton's, Simpsons
Chinook Ridge	Calgary	1,020	230	Sears, Woodwards
Les Galeries D'Anjou	Montreal	998	162	Eaton's, Simpsons, Sears
Sherway Gardens	Toronto	960	195	Eaton's, Simpsons
Pen Centre	St Catharines	939	105	Eaton's, Simpsons, Robinsons
Coquitlam Centre	Vancouver	920	130	Eaton's, The Bay, Woodwards
Les Promenades	St Bruno	912	175	Eaton's, Simpsons, The Bay, Beaucoup
Oshawa Centre	Oshawa	901	140	Eaton's, The Bay, Sears
Park Royal	Vancouver	880	160	Eaton's, The Bay, Woodwards
Polo Park	Winnipeg	871	80	Eaton's, Sears
Le Carrefour Laval	Montreal	870	130	Eaton's, Simpsons
Kingsway Gardens	Edmonton	850	125	Sears, Zeller's
Bramalea City Centre	Bramalea	836	150	Eaton's, The Bay
Guildford Town Centre	Surrey	825	175	Eaton's, Woolco, Woodwards
The Centre Mall	Hamilton	800	83	Sears, Robinsons
Devonshire Mall	Windsor	775	93	Sears, Simpsons
Place Versailles	Montreal	750	135	The Bay, Pascal, Miracle Mart
Fairview Park	Kitchener	727	96	Sears, Simpsons, Woolco
Fairview Mall	Toronto	700	104	Simpsons, The Bay
Centre Laval	Montreal	700	110	The Bay, Woolco
Pacific Centre	Vancouver	695	130	Eaton's, The Bay
Southgate	Edmonton	684	48	The Bay, Woodwards
Market Mall	Calgary	678	80	The Bay, Woodwards
Place Vertu	Montreal	675	110	Sears, The Bay, K-Mart
Carrefour de l'Estrie	Sherbrooke	660	108	Eaton's, Sears, Pascal
Lansdowne Park	Vancouver	655	140	Eaton's, Woodwards
Place Fleur de Lys	Quebec City	630	100	Sears, Syndicat, K-Mart
St Vital	Winnipeg	630	90	Eaton's, The Bay, Woolco
Shoppers World	Brampton	629	117	Simpsons, K-Mart
Fairview Pointe Claire	Montreal	628	79	Eaton's, Simpsons, Pascal
Les Galeries Chagnon	Quebec City	626	65	Sears, Woolco
Londonderry Mall	Edmonton	616	95	Eaton's, The Bay, Woolco
Edmonton Centre	Edmonton	610	101	Eaton's, Woodwards
Place Ste. Foy	Quebec City	600	112	Eaton's, Holt Renfrew
Burlington Mall	Burlington	600	99	Eaton's, Sears, Robinsons
Towne & Countrye Square	Toronto	600	77	The Bay, Woolco
Place Du Royaume	Chicoutimi	600	150	The Bay, Woolco
Village Mall	St. John's	600	96	Sears, Woolco
Bayshore	Ottawa	595	100	Eaton's, The Bay
Carrefour Du Nord	St. Jerome	588	97	Sears, K-Mart

DYLEX REPRESENTATION

DYLEX OPERATIONS

<i>Retailing</i>	<i>Stores</i>	<i>Location</i>	<i>Average Size</i>	<i>Market Coverage</i>
<i>Women's</i>	Fairweather	94	Across Canada	6,500 sq. ft. Latest in fashionable moderately priced women's clothing and accessories for the 15-30 age group.
	Braemar	11	Ontario	3,800 Selected lines of fashionable sportswear, dresses and coats.
	Suzy Shier	68	Across Canada	2,600 Medium priced fashionable merchandise for the younger market.
	Town and Country	103	Across Canada	2,700 Medium priced contemporary coats, dresses and sportswear.
	Ruby's	29	Ontario	1,300 Fashionable moderately priced footwear.
<i>Total</i>		305		
<i>Men's</i>	Tip Top	140	Across Canada	4,200 Suits and accessories for the broad middle group of consumers.
	Big Steel Man	90	Across Canada	1,700 Latest in fashionable moderately priced clothing for the younger man.
	Harry Rosen	8	Ontario (Toronto)	4,700 Quality and fashion for the professional and executive.
	<i>Total</i>	238		
<i>Family</i>	Thrifty's	113	Across Canada	2,000 Jeans, shirts, jackets and accessories for today's shopper.
	Family Fair	39	Ontario	11,100 Budget merchandise to meet the total clothing needs of Ontario families
	Bi-Way	36	Ontario (1 USA)	7,500 Low cost clothing and housewares for budget conscious Ontario consumers.
	<i>Total</i>	188		
		<i>Product</i>		<i>Brand Names</i>
<i>Manufacturing</i>	Canadian Clothiers		Suits, sports jackets	Leishman, Cerruti, Henley
	NuMode Dress		Dresses	NuMode
	Posluns Sportswear		Women's coats	Posluns, Shapes
	Manchester Children's Wear		Young women's and children's coats	Thunder Bay, Young Canadian
	National Knitting		Women's co-ordinates men's and women's sweaters	New Editions, Signature Collection, Coachman
	Forsyth Group		Men's shirts, sweaters, leisure wear, women's shirts	Forsyth, Pierre Cardin
	Manchester Manufacturing Inc.		Children's coats	Thunder Bay, Young Canadian
	Shane Knit		Women's knits	Picknit

CORPORATE INFORMATION

<i>Directors</i>	Kenneth Axelrod D. W. Casey* George Fine J. F. Kay S. F. Kay David Korn C.A. Irving Levine Sydney Loftus Irving Posluns Jack Posluns	L. H. Posluns Wilfred Posluns* Lionel Robins Harry Rosen S. M. Sigel W. H. Singer H. J. Stitt Q.C. Henry Zagdanski A. H. Zaldin Q.C.*
<i>Officers</i>	L. H. Posluns Honorary Chairman of the Board J. F. Kay Chairman of the Board Wilfred Posluns President Jack Posluns Executive Vice-President & Treasurer Irving Posluns Executive Vice-President Kenneth Axelrod Vice-President Manchester Clothing Alfred Callegari Vice-President Special Projects Joel Cooper Vice-President Braemar Paul Cooper Vice-President Family Fair Gordon Edelstone Vice-President Tip Top	George Fine Vice-President Family Fair Irving Levine Vice-President Fairweather Sydney Loftus Vice-President Dylex Real Estate Paul Mancini Vice-President Canadian Clothiers Lionel Robins Vice-President Fairweather Harry Rosen Vice-President Harry Rosen Men's Wear David Rosenberg Vice-President Manufacturing Chris Schwartz Vice-President Tip Top Donald Williams Secretary Henry Zagdanski Vice-President Nu Mode Dress
<i>Transfer agent and registrar</i>	National Trust Company Limited	
<i>Auditors</i>	Wm. Eisenberg & Co. Chartered Accountants	
<i>Bankers</i>	Bank of Montreal	
<i>Listed on</i>	Toronto Stock Exchange Montreal Stock Exchange	
<i>Head office</i>	637 Lake Shore Boulevard West, Toronto, Ontario M5V 1A8	

*Member of Audit Committee

